

**COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTERS \_\_\_\_\_ DATE February 17, 2004

MOTOR CARRIER MATTERS \_\_\_\_\_ DOCKET NO. 2004-259-S

UTILITIES MATTERS XXX ORDER NO. 2005-83

**SUBJECT:**

DOCKET NO. 2004-259-S – Bush River Utilities, Inc. – Application for approval of a new schedule of rates and charges for sewerage service provided to commercial customers in all areas served. HEARING HELD: JANUARY 20, 2005. This matter is ready for final disposition. Discuss with the Commission Staff's request for a five day extension of time to issue the order.

**COMMISSION ACTION:**

Concerning accounting adjustments for Phase 1, the Commission accepted the adjustments recommended by the Office of Regulatory Staff (ORS) with the following exceptions:

1. rate case expenses be increased by an additional \$5,122 to reflect updated legal expenses.
2. total rate case expenses of \$23,151 be amortized over a 3-year period.
3. revenues be increased to correct for ORS netting uncollectibles from revenues but including uncollectibles in expenses.

Concerning Phase 1 rate increases, the Commission adopted the rates as proposed by Bush River Utilities, Inc. except for tap fees. The Commission denied the requested increase in tap fees. The proposed rates combined with the above accounting adjustments will produce increased revenues of \$79,713 in Phase 1 and a 22.35% operating margin.

Concerning Phase 2, the Commission approved a Phase 2 rate increase after construction is completed and adopted the rates proposed by Bush River with the following accounting adjustments and under the following conditions:

**Accounting adjustments**

1. O&M expenses be increased by \$8,860 as requested in the Company's application and supported by Data Request responses to reflect increased sludge removal expenses.
2. Depreciation Expense be increased by \$37,291 to reflect a 25-year service life on proposed sewer treatment plant upgrades.
3. Property Taxes be increased by \$4,500 for new treatment plant upgrades as supplied by the Company in a late-filed hearing exhibit.
4. Interest Expense be increased by \$28,285 to reflect Interest on the Company's allocated Rate Base including treatment plant upgrades, a 50% Debt/50% Equity capital structure, and a 5.65% embedded cost of debt rate.
5. Carry forward of other accounting adjustments from Phase 1

**Conditions:**

1. Bush River Utilities maintain its books and records according to the NARUC System of Accounts
2. ORS perform an audit of Bush River Utilities prior to Bush River implementing the Phase 2 rate increase
3. Bush River Utilities be in compliance with DHEC regulations and requirements.
4. Bush River Utilities must comply with the bonding requirements established by this Commission.
5. Bush River must have expended a minimum of \$932,278 in treatment plant upgrades and such expenditures must have been audited by ORS.

The proposed Phase 2 rates will increase revenues by an additional \$53,750 and result in an operating margin of 15.58%.

Concerning bonding requirements, the Commission required a \$100,000 bond for Bush River Utilities. The Commission waived that portion of Regulation 103-512.3.1 which requires that the amount of bond be based on, but not limited to, the total amount of certain categories of Company expenses for twelve months. Commission Regulation 103-501.3 states that in any case where compliance with any of the rules and regulations introduces unusual difficulty, such rules or regulations may be waived by the Commission upon a finding by the Commission that such waiver is in the public interest. Considering the present financial position of the Company, and considering the fact that the Company has had difficulty in the past in obtaining a surety bond, the Commission believed that setting the bond in the amount recommended by ORS, which is in line with the cited portion of the Commission Regulation is going to introduce unusual difficulty for the Company in complying with that portion of the regulation. Further, the waiver of the stated portion of 103-512.3.1 is in the public interest, since it allows the Company to more easily transition to a bond amount in line with the statutory language found in Section 58-5-720. The waiver should be granted. Bush River must comply with the bonding requirement by completion of construction of its new treatment facility. The Commission will review bonding requirements if a merger of the three companies occurs.

This Commission recognizes that there are benefits to be gained by developing and implementing Business Plans. However, concerning the ORS recommendation that Bush River Utilities be required to develop and implement a Business Plan, the Commission denied this recommendation. The authority of this Commission to require planning documents is questionable. Also, DHEC and lending institutions already require some type of plans from Bush River Utilities. Any further planning requirements would be burdensome and may detract from Bush River Utilities or its sister companies devoting resources to upgrading the system and bringing it into compliance. Denial of this request should not be interpreted that the Commission discourages Bush River Utilities from developing and implementing business plans.

Concerning the ORS recommendation that DSI, Bush River Utilities, and Midlands Utility merge, the Commission reaffirmed its position encouraging such a merger as stated in Order No. 2005-42.

Given the short time period until an order is to be issued to comply with the six-month requirement and that Monday, February 21 is a holiday, the Commission granted a 5-day extension for issuing this order.

**Cautionary statement:** It is apparent to the Commission that the managing personnel of Bush River Utilities and its sister companies lacks sufficient knowledge of Commission rules and regulations and statutes concerning water and sewer utilities. The managing personnel must obtain a better understanding of such rules, regulations, and statutes. ORS may be able to provide assistance in this endeavor.

APPROVED \_\_\_\_\_

PRESIDING Mitchell

APPROVED STC 30 DAYS \_\_\_\_\_

CLYBURN Yes

ACCEPTED FOR FILING \_\_\_\_\_

FLEMING Absent

DENIED \_\_\_\_\_

HAMILTON Yes

AMENDED \_\_\_\_\_

HOWARD Yes

TRANSFERRED \_\_\_\_\_

MITCHELL Yes

SUSPENDED \_\_\_\_\_

CANCELED \_\_\_\_\_

SET FOR HEARING \_\_\_\_\_

ADVISED \_\_\_\_\_

CARRIED OVER \_\_\_\_\_

RECORDED BY P. D. Riley

MOSELEY Yes

WRIGHT Motion

**REGULAR SESSION X**

**SPECIAL SESSION \_\_\_\_\_**

**TIME OF SESSION 2:30PM**